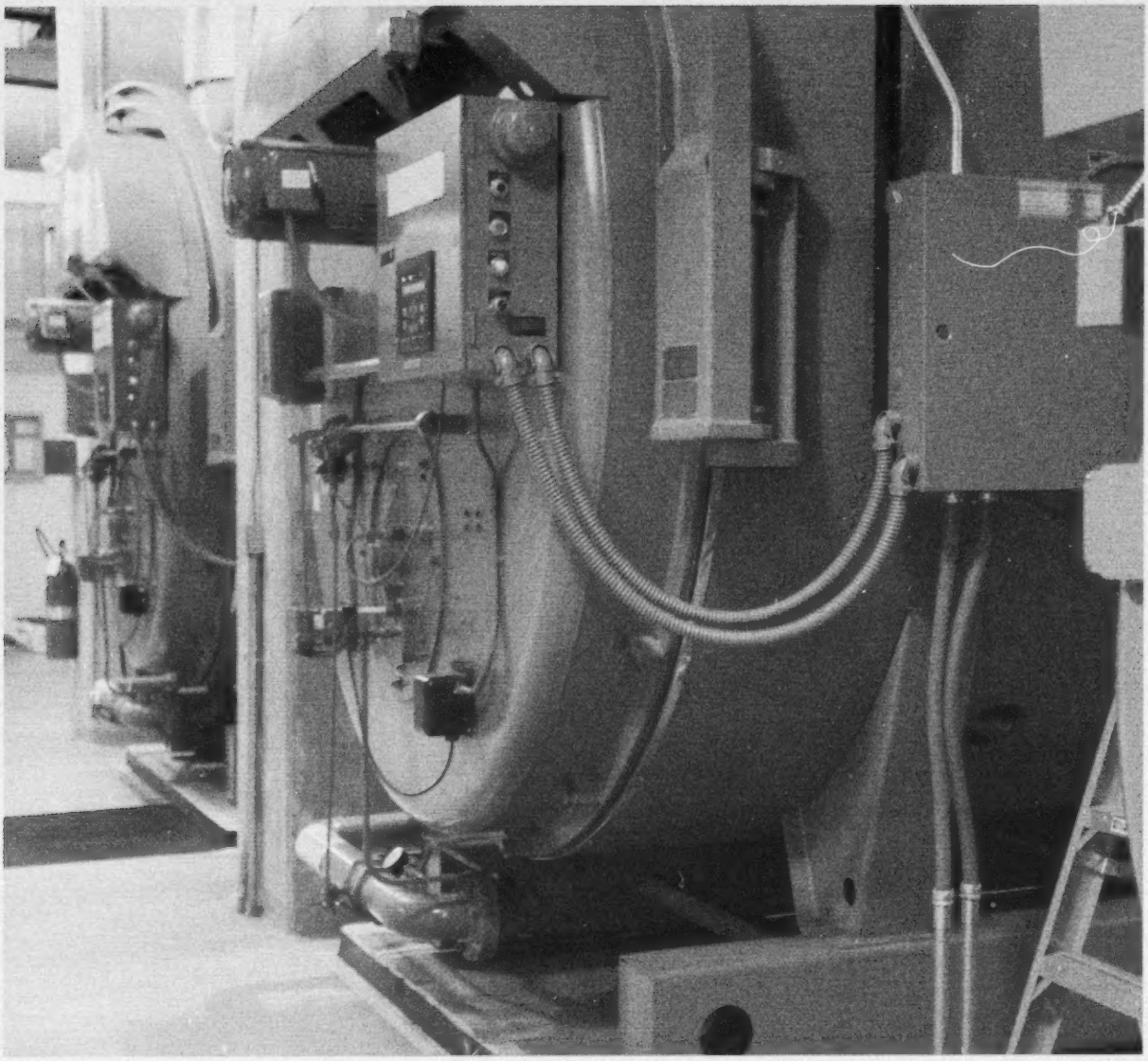

ANNUAL REPORT

2013

Technical
Safety Authority
of Saskatchewan

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TO OUR STAKEHOLDERS

The Technical Safety Authority of Saskatchewan (TSASK) is pleased to submit our Annual Report for the 2012-2013 fiscal year.

Since being created on July 1, 2010, TSASK has made continued progress in achieving the goals established for the organization while also setting a course for the future in accordance with our mandate.

This success is a direct reflection of the leadership, vision and talent of our team. It is also indicative of a continued commitment to the furtherance of our goals.

These goals are reflected in four strategic areas that comprise our comprehensive long term plan. These areas provide a focus to our activities and ensure that we are united in our direction.

Our four strategic areas are:

- Our People
- Safety Leadership
- Customer Service
- Operational Excellence

We have made progress toward the goals in each area and are planning for additional future progress in the coming year.

OUR PEOPLE

TSASK is committed to attracting, developing, and retaining high performing individuals. We believe that the foundation of our success and of our future rests with our team.

During the last year, we invested in employee development with a specific emphasis upon continued improvement in customer satisfaction and efficiency. We have improved our hiring process to reflect these values.

We empower our staff by encouraging them to take initiative to improve our practices and service delivery. We live our core values and exercise the highest level of respect during our interactions with our customers and our team. We leverage teamwork whenever possible to accomplish our results.

SAFETY LEADERSHIP

This goal is the core of our purpose and the basis of what we do. At TSASK, safety is always paramount.

Within TSASK, we have reviewed all of our safety processes and procedures. Where necessary, we have altered our practices, created safety bulletins for our staff, and provided additional employee training where required.

TO OUR STAKEHOLDERS

In the last year, we have expanded our role with industry related safety standards and inspection organizations. This includes involvement with the newly formed Saskatchewan Integrity Association, the Association of Chief Inspectors (boilers and pressure vessels), the Association of Provincial Chief Elevator Inspectors, the Canadian Standards Association and the American Society of Mechanical Engineers. We have retained an internal resource to drive improvements to our operational procedures, metrics and training.

We continue to develop a risk mitigation approach to the management of the equipment we regulate. By doing so, we enhance safety by applying our efforts to equipment with a higher inherent risk of danger. We are also continuing our efforts to encourage Quality Management Systems for our customers.

CUSTOMER SERVICE

Since being created, TSASK has made significant gains in the culture of the organization. This is especially true as it relates to customer service. TSASK has been working at gathering feedback direct from our customers through customer surveys. We use the information from these surveys to improve our service in all areas, focusing on our customers' responses. The results indicate that customers have seen a continual improvement in overall customer satisfaction. We plan continued surveys in order to monitor future progress.

TSASK introduced a customer service position in 2011-12 to focus on the needs and feedback from our larger customers with the intention of better understanding our customers and how we could improve our services to them. As a result, we have made changes to how we communicate by providing electronic licensing documents and by simplifying our forms.

This commitment to service and to the creation of value for our customers is central to our approach to our business and is part of every decision we make. Management is committed to building upon these positive changes.

OPERATIONAL EXCELLENCE

We have made gains in our ability to deliver a timely and effective service. Combined with our efforts in customer service, we have seen an increase in volume and quality in the service we provide.

We are near the completion of the installation of an automated inspection reporting system. This will significantly improve the quality of our information base and will allow for other improvements to our service delivery.

We are also embarking upon a continuous improvement program. We are committed to enhancing service to the regulated community. All activities in this regard are subject to our over-arching requirement to maintain our financial viability in a sustainable and predictable fashion.

TO OUR STAKEHOLDERS

We have also had transition in our operations within the last year. Ken From, who had been the CEO since 2010, left the business in November of 2012. The management, staff and Board of Directors would like to thank Ken for his hard work and dedication to TSASK.

William Scott took over the role of CEO in January of 2013. Bill comes to TSASK from a role as General Counsel of a major Canada-wide vessel manufacturer. A lawyer by trade, Bill has a broad range of operational experience within highly regulated industries.

CORPORATE GOVERNANCE

TSASK's Board of Directors, together with the management team, strives to ensure that TSASK's governance practices provide effective stewardship in the best interests of all stakeholders.

The Board functions independently of management and meets regularly to consider a wide range of issues that affect TSASK. This includes strategic direction, financial performance, and compensation.

ACKNOWLEDGEMENTS

Thank you to the entire TSASK team who continues to work to implement the business plan and who have contributed to the success of TSASK over the last three years. Also, thank you to TSASK's stakeholders for their continued support.

In addition, on behalf of TSASK and the Board, we express our appreciation to Fred Gill. Fred has recently resigned as a Director of the TSASK Board due to other commitments. As a director from the initial creation of TSASK, his experience and counsel have been valuable and will be missed. Thank you Fred.

We continue to welcome future challenges and opportunities as we strive to shape excellence in public safety.

Robert Watt

Robert Watt, Chair of the Board

William J Scott, CEO

CORPORATE OVERVIEW

The Technical Safety Authority of Saskatchewan (TSASK) is a not-for-profit organization which was established effective July 1, 2010 through the passing of *The Technical Safety Authority of Saskatchewan Act.*

OUR CORPORATE MANDATE

TSASK is responsible for the administration and enforcement of the following legislation on behalf of the Government:

- ***The Boiler and Pressure Vessel Act, 1999***
- ***The Amusement Ride Safety Act***
- ***The Passenger and Freight Elevator Act***

The key objective of TSASK is to protect public safety by delivering services that lead to the safe manufacture, installation, maintenance, use and operation of technical products, equipment and systems. TSASK's registration, inspection, certification and licensing programs and services operate on a fee-for-service basis. Our professional team provides a full range of programs and services including:

- Licensing and permitting
- Assessing equipment designs
- Overseeing fabrication and installation
- Assessing and certifying organizational knowledge and quality assurance practices
- Testing and certifying industry personnel
- Inspecting equipment
- Educating and informing industry
- Contributing to the advancement of safety standards
- Enforcing standards and legislation
- Investigating reported incidents

These services are provided to individuals and organizations that design, manufacture, install, operate and own the technical equipment within TSASK's area of responsibility.

OUR VISION

Recognized as a leading safety authority – a Saskatchewan service provider, inspiring and shaping excellence in public safety.

OUR MISSION

In collaboration with owners, operators and industry, we provide professional safety, educational and regulatory services that instill a high level of confidence in our public safety system.

CORPORATE OVERVIEW

OUR VALUES

We are committed to upholding all of these values, every day:

Safety is Paramount – We practice uncompromised safety in and through the services we deliver.

Integrity – We are open, honest, ethical and transparent in our conduct.

Accountability – We are committed to responsible, consistent and dependable actions.

Teamwork – We believe in the strength of collaborative efforts.

Respect – We treat colleagues, customers and stakeholders with respect.

Recognition – We value and acknowledge the work, ideas, initiatives and contributions of our colleagues and customers.

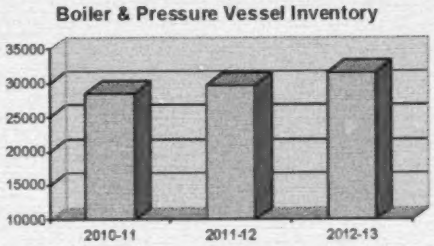
Professional Service – We add value to our customers through excellence in everything we do.

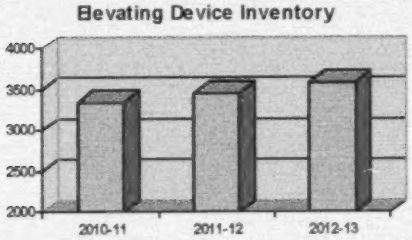
Continuous Learning – We invest in our employees' learning, growth and transfer of knowledge to support continuous improvement.

Living these values makes us proud of our organization and the way we work to enhance safety.

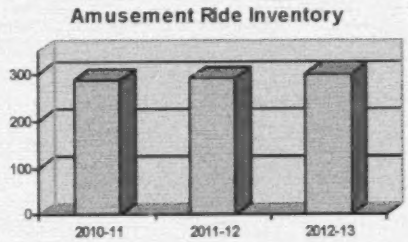
INVENTORIES OF REGULATED EQUIPMENT

Saskatchewan has experienced a growth of 1,896 licensed pressure equipment items (6.4%) over the previous year to a total of 31,590. This growth continues a recent trend over the past two years. Regulatory exemptions for heating boilers under 32.3 KW, high pressure boilers under 21.5 KW, methanol spheres and small pressure vessels under 42.5 L or 152 mm diameter had led to an earlier decline which ended after 2010-11.





Licensed elevating device inventory, including passenger and freight elevators, dumbwaiters, escalators, lifts for the physically disabled, construction personnel lifts, and ski-lifts, increased by 3.9% or 136 units. Following a continuing trend of increased growth, there are now 3,586 licensed elevating devices in the Province.



The number of amusement rides that were licensed to operate in Saskatchewan during 2012-13 was 301. This has remained within expected inventories with known traveling amusement ride companies continuing to operate in Saskatchewan together with local operators of inflatable rides and go-karts.

QUALITY MANAGEMENT SYSTEM

A Quality Management System (QMS) of inspections provides a pressure equipment owner or insurer with the opportunity to establish a documented inspection program. This requires the owner to employ qualified inspection personnel to perform recognized periodic inspections on equipment they own or insure.

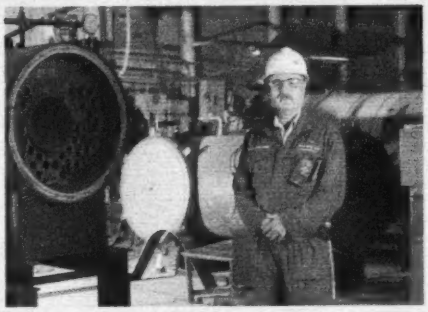
TSASK has continued to educate industry on the benefits of developing such a program and currently has nine companies comprising 21.0% of its licensed Provincial inventory operating under a QMS. This represents an increase from six companies and 13.7% from the prior year. Additional companies in Saskatchewan have expressed an interest in pursuing a QMS in 2013-14.

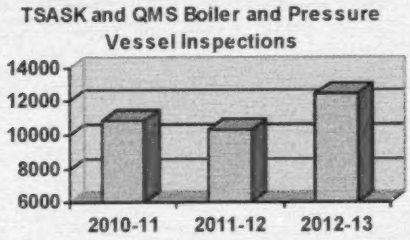
INSPECTION SERVICES

In 2012-13, TSASK provided levels of inspection services commensurate to the needs of industry and to levels required for an effective and efficient safety program. TSASK performed 7,532 in-service pressure equipment inspections, 4,343 pressure equipment installation acceptance inspections, 2,595 in-service elevating device inspections, 344 elevating device modification, modernization, and installation acceptance inspections and 290 amusement ride initial set-up inspections. Additional follow-up and manufacturing inspections were also performed.

TSASK has significantly increased the number of inspections that have been completed during its three years of operation.

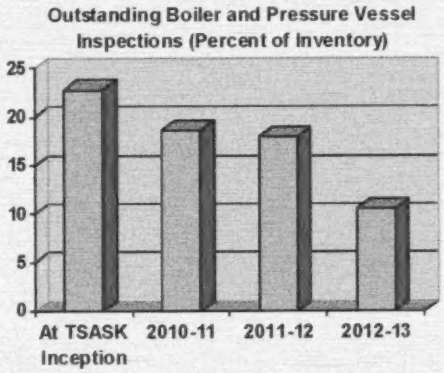
Inspections performed by companies operating under a certified Quality Management System increased by 35% to 1,385 and inspections performed by TSASK increased by 27% to 32,329 in the three year period. It is noteworthy to recognize that inspections in this past year were above the three year average with 11,875 TSASK and 544 QMS inspections.





It is not required that all pressure equipment receives an annual inspection. The purpose of periodic inspections is to determine the condition of the equipment and its fitness to continue to operate safely considering the operating conditions and environment. Inspection frequencies vary between one and five years which is consistent with accepted regulatory practices.

As a direct result of the increased inspections performed, there has been a decrease in inspections that are six months or more past the standard inspection frequency, which had been defined as "outstanding inspections". While a significant amount of inspections are completed on newly installed or repaired equipment, the inspections of operating equipment also increased, resulting in a decrease in these outstanding inspections. TSASK has reduced the outstanding inspection count from 22.8% of licensed inventory at its inception to 10.5% after three years. We will continue to develop initiatives to further reduce the number of outstanding inspections.



Compared to 2011-12, elevating device inspections increased by over 15% to 2,595 completed in-service inspections. Additionally, a significant demand for acceptance inspections continued and another 344 inspections were performed on new installations or major modifications. Similar to pressure equipment, it is not required that all elevating devices receive an annual inspection. However, the percentage is significantly higher as inspection frequencies for elevating devices recognize that they operate in an environment of higher mechanical wear due to the cyclic nature of their operation. In 2012-13, 82% of all elevating devices received an inspection compared to 81% and 77% in the previous two years.

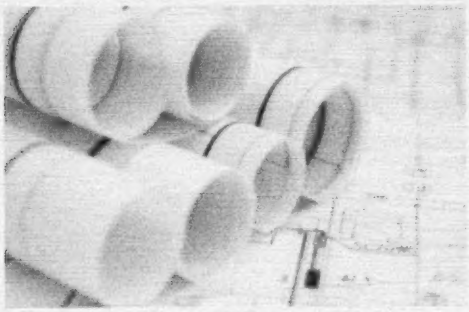
All amusement rides operated in the province are inspected annually, and TSASK has again performed to this high standard.

REPORT ON PERFORMANCE

PRESSURE EQUIPMENT COMPETENCY CERTIFICATIONS

In addition to administering inspection services, TSASK provides programs to ensure companies and people responsible for pressure equipment meet minimum competency standards. In 2012-13, TSASK issued 133 certificates of authorization to companies having demonstrated quality control systems for the installation, repair, alteration and / or manufacture of pressure equipment. These certificates are valid for 3 year periods before mandatory review and re-certification. There are 341 current valid certificates of authorization. These companies were further supported by the 2,237 licences issued to pressure welders. TSASK administered 971 physical demonstration and examination tests of welders and assessed qualifications held by welders from other provinces and authorized testing companies.

DESIGN SURVEY



TSASK reviews designs for pressure equipment and elevating devices intended to be operated in Saskatchewan to determine that the design complies with Provincial legislation and relevant codes and standards. This year, 1,779 pressure equipment designs were reviewed and registered, compared to 1,804 in the previous year. In addition, 206 elevating device plans were registered in 2012-13, similar to the previous year and up significantly from the 153 in 2010-11. A backlog of pressure equipment designs still exists at the completion of 2012-13. TSASK introduced service level options to clients in 2012-13 and implemented plans aimed at reducing the backlog. The backlog has been reduced from 9 months to 4 months while insuring options exist for more urgent reviews to be completed by client demand requests. We will continue efforts to further reduce the backlog.

POWER ENGINEERING

There are 11,727 valid power engineering licences in Saskatchewan for the operation of boilers and refrigeration plants operating in the province. Power engineering licences are renewed every five years, and this year TSASK processed 2,736 renewals. In addition, TSASK conducted 3,211 examinations for people working towards a new or upgraded certification level.

TSASK actively participates with a national committee that has standardized an examination question bank and examination policy. This allows for the recognition of a power engineer's certification by other provinces. TSASK administers the third most standardized exams in the country, exceeded only by Alberta and Ontario.

ACCIDENTS AND INCIDENTS

TSASK is pleased to report that there were no fatalities or serious injuries associated with the failure of regulated equipment. In total, there were 24 incidents reported to TSASK during the 2012-13 program year (10-pressure equipment, 13-elevating devices, 0-amusement rides, and one report not involving regulated equipment). This represents an increase from the 18 incidents reported in the previous year. All reported

incidents were investigated for cause. A determination is then made with respect to the need for targeted or general industry awareness or corrective actions. Most of the incidents reported relate to minor trip and fall incidents on escalators and were not attributed to the condition of the equipment.

APPEALS

One of the many new initiatives contained within the *Boiler and Pressure Vessel Act, 1999* was the creation of the Boiler and Pressure Vessel Safety Board which was established to hear appeals against the decision of the Chief Inspector. The Board has the authority to review decisions related to the cancellation or suspension of a licence, the refusal to register or deregistration of a design, and the cancellation or suspension of an inspection certificate, a certificate of authorization, or a certificate of qualification.

There were no appeals received by the Boiler and Pressure Vessel Safety Board in 2012-13. The lack of appeals received is due to a concerted effort to ensure that all program decisions are made in accordance with the legislation, regulations, and published policies and procedures.

STATUS OF ACTS, REGULATIONS, AND PROSECUTIONS

Although TSASK operates at arms-length from the Provincial Government, the Ministry of Government Relations remains responsible for the establishment of public policy as well as the maintenance and amendment of all associated Acts and Regulations.

TSASK will be taking an active role in the development of recommendations for legislative and regulatory amendments in all three assigned technologies and will be seeking the input of industry and stakeholders during this process.

PUBLIC EDUCATION AND INFORMATION SESSIONS

As a means to identify and meet the needs of those that have an interest in our public safety system, TSASK has continued the development and delivery of public education and information sessions. TSASK has developed a new presentation delivered to building owners and operators and also sponsored and presented at the International Pressure Equipment Integrity Association. TSASK continues to offer presentations for licensed gas contractors on pressure equipment legislation and regulation and the requirements that apply to those companies performing boiler installations. Additionally, every entry level limited power engineering examination now begins with a presentation on legislation and how it affects the certification and licensing of power engineers. TSASK will continue to develop other public training and information sessions.

SASKATCHEWAN INTEGRITY ASSOCIATION

TSASK was integral to the creation and is supportive of the ongoing operation of a new industry association. The Saskatchewan Integrity Association (SIA) is an owner association of pressure equipment inspectors and company integrity management inspectors focused on continuously improving and optimizing safety, reliability and integrity of pressure equipment within Saskatchewan facilities. The SIA is to provide a forum for information exchange and discussion between owners regarding equipment quality issues, non-

destructive examination standards, and reliability, integrity and inspection philosophies. In working with TSASK, the SIA will provide industry input to TSASK on industry best practices and TSASK directives. Additionally, the SIA will provide input to TSASK and Government, on uniform and value-added interpretations and requirements of the Act. The first official meeting of the SIA is planned for September 2013 and is being hosted by TSASK.

PARTICIPATION IN THE STANDARD DEVELOPMENT PROCESS AND LIAISON WITH INDUSTRY AND OTHER REGULATORS

TSASK continues to contribute to and participate in national and international standards development. As members of the Canadian Standards Association (CSA), the National Board of Boiler and Pressure Vessel Inspectors (NBBI) and American Society of Mechanical Engineers (ASME), TSASK personnel continue to participate on the following technical committees related to codes and standards adopted under Provincial legislation:

- CSA B51 – Boiler, Pressure Vessel and Pressure Piping Code
- CSA B52 – Mechanical Refrigeration Code
- CSA B44 – Elevating Devices
- ASME Boiler and Pressure Vessel Code – pressure vessel, non-destructive examination, and welding committees
- Association of Chief Boiler and Pressure Vessel Inspectors (ACI)
- Association of Provincial Chief Elevator Inspectors (APCEI)
- Standardization of Power Engineers Examinations Committee (SOPEEC)

TSASK is also committed to ensuring that it maintains effective liaisons with other regulators and industry by attending and participating in the following associations and committees:

- Saskatchewan Integrity Association (SIA)
- Upstream Chief Inspectors Association (UCIA)
- International Pressure Equipment Integrity Association (IPEIA)
- Saskatchewan Power Engineers Technology Program Advisory Committee

ADMINISTRATIVE STAFF PLAY A KEY ROLE

Our image and reputation rely heavily on the professionalism and knowledge of our frontline administrative team who interact daily with our customers and provide them with information to address inquiries regarding the services that we provide. Our highly skilled administrative team also works with other program areas to support continuous improvements by examining processes and procedures in an ongoing effort to further improve efficiencies for our customers. A Key Account Representative role has been established to foster positive relationships with our customers. By surveying our clients, we have begun to hear positive comments about changes implemented in 2012-13. These changes have resulted in significantly improved turnaround times in the services we provide such as licences, applications, posting of exam marks and response times for customer inquiries.

MANAGEMENT DISCUSSION

Over the past few years, Saskatchewan has been the beneficiary of a strong economy. This environment has resulted in higher equipment inventories that have increased TSASK's workloads. At the same time, in a manner similar to other industries, TSASK has managed the challenge of attracting and retaining a skilled workforce. This growth is also reflected in equipment that is both more mobile and complex. TSASK must continually adapt to be current in the diverse technologies it regulates.

Within this environment, TSASK has also operated within a new financial revenue system which it has created without the benefit of prior experience. In prior years, TSASK had received funding in order to assist with transitional costs. For the past fiscal year, TSASK has fulfilled the mandate of financial self sufficiency. This is a result of establishing a fee schedule for 2012-13 based upon a model of full cost recovery.

TSASK now operates only upon revenue derived from those companies and individuals who benefit directly from the use of equipment or from the programs that TSASK regulates. Our revenues are derived from our four business units. These are: Boiler and Pressure Vessel; Elevator and Amusement Rides; Design Review; and Licensing of People. The bulk of our revenues flow from the Boiler and Pressure Vessel Unit. The end result is an organization with the strength and the means to deliver the services and to fulfill the mandate it has been tasked with.

This mandate is substantially contained in the *Safety Standards Agreement* with Government. This agreement sets forth the obligations and responsibilities related to the administration of the delegated safety programs. In addition to a responsibility to be self-funding, it is also a requirement that TSASK maintains a surplus, which is necessary to protect from any circumstance that might adversely affect the organization's viability. TSASK presently holds $1.2M in restricted funds for this purpose.

As TSASK matures as an organization, we have been able to make improvements within the business to enhance public safety, while also improving our service to our customers. An example is our recent office relocation in Regina. By moving outside the busy downtown core, we have become more accessible for our customers.

Our current investment in the modernization of our inspection software system will also assist in providing a more efficient service to industry. At present, our inspections are conducted solely within a paper-based system. Our transition will be to an electronic database which will reduce our administrative load while allowing us to process materials for customers in a more timely manner.

BOARD OF DIRECTORS

The Board of Directors is responsible for stewardship, including oversight of TSASK and the development and approval of TSASK's strategic direction. The Board may be comprised of up to 10 members and maintains a balance of Board members who are industry experts as well as Board members with successful business backgrounds outside the industry.

Two Committees of the Board have been established; the Audit and Finance Committee and the Human Resources Committee. The Audit and Finance Committee is to oversee all material aspects of TSASK's financial reporting and control processes. This includes the selection of the external auditor, review of the budget, and review of TSASK's fee for service schedule. The Human Resources Committee is to oversee all aspects of human resource policies and processes that may affect the employees and the Board.

MICHAEL DUMELIE

Member - Human Resources Committee. Michael is a partner in Oxford Libero Consulting, a company he established in 2009. Previously a Senior Vice President of Business Solutions and a Director of Information Technology for CUETS/Bank of America from 2001 to 2008, and a Director of Information Management at Saskatchewan Environment and Resource Management from 1998 to 2001.

Dumelie served on the Mayor's Economic Development Committee in Regina. He has been involved with the Certified Management Accountants organization at the local, provincial and national level, and is active in coaching local and high-performing hockey teams. He resides in Regina.

FRED GILL

Member - Human Resources Committee. Fred was President and CEO of SaskFerco from 2000 to 2010. From 1990 to 2000 he was Vice President of Manufacturing for the same company. Before that, Gill served as Operations Manager for Acadia Corporation at various plants, from 1976 to 1990.

Gill has served as Chair of the Safety Committee of the Canadian Fertilizer Institute, Chair of the Institute, and was a member of the Mosaic Operating Committee. He resides in Buena Vista.

Gill served on TSASK's Board until May of 2013.

TED HILLSTEAD

Chair - Audit and Finance Committee. Ted is currently a Senior Partner with Dillon Hillstead Melanson C.G.A. Professional Corporation and Cogent Business Consulting, a position he has held since 1994. He was Dean of Operations for Southeast Regional College from 1990 to 1997, and Coordinator for US Financial Accounting at Evraz Inc., from 1985 to 1990.

Hillstead served as President of the Saskatchewan Chamber of Commerce from 2004 to 2005. He has been a Director of the Weyburn Cooperative Association for the past 11 years, and is currently the Chair of the Board for CAA Saskatchewan. He resides in Weyburn.

PETER HOFFMANN

Member - Audit and Finance Committee. Peter is currently the Chair of the Board of Regents for Campion College. Prior to that, he was the Director of Corporate Development for the Saskatchewan Public Employees Benefits Agency from 2003 until 2008. He served in senior positions with the Saskatchewan Housing Corporation, including as President and CEO of SHC from 1999 to 2001. He began his career with Saskatchewan Government Insurance in 1974.

In recent years, Hoffmann has served as Vice Chair of the Campion College Board of Regents and on the Board of Ranch Ehrlo Community Services Inc. He resides in Regina.

BOARD OF DIRECTORS

KEITH LAXDAL

Member - Human Resources Committee. Keith has served as Chairperson of the Automobile Injury Appeal Commission since December 2009. Previously an Associate Deputy Minister, Finance and Administration Division for Saskatchewan Justice from 1990 to 2008, Associate Deputy Minister, Saskatchewan Finance from 1987 to 1990 and Deputy Minister, Saskatchewan Revenue and Financial Services from 1984 to 1987. Laxdal began his career with the Budget Bureau of Saskatchewan Finance in 1967.

Laxdal's community involvement includes 17 years as a member of the Board of the Credit Union Deposit Guarantee Corporation, as well as serving on the Saskatchewan Film Classification Board and the South Saskatchewan Hospital Board. Laxdal resides in Regina.

SHARA MCCORMICK

Vice Chair - Board of Directors; Chair - Human Resources Committee. Shara is Senior Director of Human Resources and Corporate Services at SaskTel responsible for human resource strategic planning and development and corporate asset management. Mccormick has also been a Sessional Lecturer at the University of Regina. Mccormick is Vice-Chair of the Board and Chair of the Human Resources Committee. She resides in Regina.

ROBERT SCHUTZMAN

Chair - Board of Directors (to January 2013); Member - Audit and Finance Committee. Bob is the Director of Environmental Affairs and Trade for Canada for Evraz Inc. NA Canada, a Canada-wide, multi-plant management role he has filled since 1998. Previously, Schutzman held various positions with IPSCO Inc., was a regulator in the Water Quality branch of Saskatchewan Environment and Public Safety from 1985 to 1990, an environmental engineer for the Potash Corporation of Saskatchewan from 1980 to 1985, and held various engineering positions back to 1970.

Schutzman has been involved in a number of community and professional boards focused on environmental issues. He was a Founding Director and past Chair of the Saskatchewan Environmental Industry and Managers Association. He resides in Regina.

ROBERT WATT

Chair - Board of Directors (January 2013 to present), Member - Audit & Finance Committee. Bob is a retired partner of Deloitte. During his career, he managed the delivery of client services to a number of major companies in Saskatchewan with national and international operations. Bob brings a strong background in client service, as well as broad experience in management and corporate leadership.

A leader in community organizations in health and education, Watt also holds other board positions - he is Treasurer of the Law Foundation of Saskatchewan and is the Chair of the Audit Committee of Western Surety Company, a federally regulated financial institution. He holds an Honours Business Administration degree from the Richard Ivey School of Business, University of Western Ontario, and earned his Chartered Accountant designation in both Ontario and Saskatchewan, becoming a Fellow Chartered Accountant in 1997. He resides in Regina.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

To the Board of Directors:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

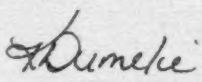
In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and the Audit and Finance Committee are composed entirely of Directors who are neither management nor employees of Technical Safety Authority of Saskatchewan ("TSASK"). The Audit and Finance Committee is responsible for overseeing management in the performance of its financial reporting responsibilities, and for recommending approval of the financial statements to the Board. The Audit and Finance Committee has the responsibility of meeting with management and the external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Audit and Finance Committee is also responsible for recommending the appointment of the Authority's external auditors.

MNP LLP, an independent firm of Chartered Accountants, is appointed by the Board of Directors to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Committee and management to discuss their audit findings.

September 12, 2013

Chief Executive Officer



Vice President, Corporate Services

INDEPENDENT AUDITORS' REPORT

To the Directors of Technical Safety Authority of Saskatchewan:

We have audited the accompanying financial statements of Technical Safety Authority of Saskatchewan ("TSASK"), which comprise of the statement of financial position as at June 30, 2013, and the statements of operations and changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of TSASK as at June 30, 2013 and the results of its operations, changes in net assets and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

MNP LLP

Chartered Accountants

Regina, Saskatchewan
September 12, 2013

FINANCIAL STATEMENTS

TECHNICAL SAFETY AUTHORITY OF SASKATCHEWAN
STATEMENT OF FINANCIAL POSITION

As of June 30, 2013

		2013		2012
ASSETS				
Current Assets				
Cash	$	3,590,204	$	4,526,993
Accounts receivable (note 3)		730,909		251,513
Prepaid expenses		38,108		12,344
		4,359,221		4,790,850
Property and equipment (note 4)		1,234,137		-
Intangible assets (note 5)		402,184		114,745
	$	5,995,542	$	4,905,595
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable and accrued liabilities (note 7)	$	702,969	$	698,017
Deferred revenue (note 8)		1,896,487		1,424,401
		2,599,456		2,122,418
Deferred revenue (note 8)		732,531		501,855
Deferred tenant allowance (note 9)		303,896		-
	$	3,635,883	$	2,624,273
Net Assets (note 10)				
Unrestricted	$	1,159,659	$	381,322
Externally restricted – safety standards		1,200,000		1,200,000
Internally restricted – capital reserve		-		700,000
		2,359,659		2,281,322
	$	5,995,542	$	4,905,595

Commitments (note 11)

See accompanying note to the financial statements.

Approved by the Board:

Director

Director

FINANCIAL STATEMENTS

TECHNICAL SAFETY AUTHORITY OF SASKATCHEWAN
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

For the year ended June 30, 2013

		2013		2012
REVENUES				
Boiler and pressure vessel safety	$	6,649,674	$	4,521,371
Elevator safety		1,025,667		685,226
Amusement ride safety		39,911		24,404
Deferred contributions related to property and equipment		-		69,966
Other		56,484		16,693
Funding from Ministry of Corrections and Policing (note 15)		-		3,145,000
		7,771,736		8,462,660
EXPENSES				
Salaries and benefits	$	5,665,623	$	5,078,473
Legal, accounting and other services		332,626		227,369
Rent, space and equipment		616,009		509,445
Travel		457,430		350,852
Administrative		262,248		214,820
Board and committees		104,447		81,669
Other business expenses		242,990		179,882
Amortization		12,026		69,966
		7,693,399		6,712,476
EXCESS OF REVENUE OVER EXPENSES	$	**78,337**	$	**1,750,184**
Net Assets, beginning of year		2,281,322		531,138
NET ASSETS, END OF YEAR	$	2,359,659	$	2,281,322

TECHNICAL SAFETY AUTHORITY OF SASKATCHEWAN
STATEMENT OF CASH FLOWS

For the year ended June 30, 2013

	2013	2012
CASH FLOWS FROM (USED IN)		
OPERATING ACTIVITIES		
Excess of revenues over expenses	$ 78,337	$ 1,750,184
Items not affecting cash		
Amortization	12,026	69,966
Deferred contribution related to property and equipment	-	(69,966)
Amortization of tenant allowance	(10,303)	-
	80,060	1,750,184
Net change in non-cash working capital		
Accounts receivables	(479,396)	(108,567)
Prepaid expenses	(25,764)	(9,585)
Accounts payable and accrued liabilities	4,952	351,879
Deferred revenue	702,762	369,776
Deferred tenant allowance	314,199	-
	596,813	2,353,687
INVESTING ACTIVITIES		
Additions to property and equipment	(1,246,163)	-
Additions to intangible assets	(287,439)	(114,745)
	(1,533,602)	(114,745)
(DECREASE) INCREASE IN CASH	**(936,789)**	**2,238,942**
CASH, BEGINNING OF THE YEAR	4,526,993	2,288,051
CASH, END OF THE YEAR	**$ 3,590,204**	**$ 4,526,993**

NOTES TO THE FINANCIAL STATEMENTS

1. NATURE OF BUSINESS

The Technical Safety Authority of Saskatchewan (TSASK) is a not-for-profit organization which was established effective July 1, 2010 through the passing of *The Technical Safety Authority of Saskatchewan Act (the "Act")*. TSASK was created from the Licensing and Inspections Branch of the Ministry of Corrections, Public Safety and Policing, with a mandate of delivering safety programs related to pressure equipment, elevating devices and amusement rides.

TSASK's registration, inspection, certification and licensing programs and services operate on a fee-for-service basis. These fees are charged to the sectors involved in the manufacturing, installing and operating of technical equipment. TSASK entered into the Safety Standards Agreement with the Government of Saskatchewan to establish the rights and responsibilities of the parties and the terms and conditions for the delegation to TSASK of the administration of the safety statutes in accordance with the Act.

TSASK administers and enforces the following legislated safety statutes:

- *The Boiler and Pressure Vessel Act, 1999*
- *The Passenger and Freight Elevator Act*
- *The Amusement Ride Safety Act*

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

TSASK's financial statements are prepared in accordance with Canadian generally accepted accounting standards for not-for-profit organizations.

(b) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. In particular, accounts receivables are stated after evaluation as to collectable and an appropriate allowance for doubtful accounts is provided where considered necessary. Estimates are also used to determine amortization which is based on the estimated useful lives of the assets. The percentage of completion of revenue is also estimated. Estimates are based on management's knowledge of current events and actions TSASK may undertake in the future. These estimates and assumptions are reviewed periodically and adjusted for as required.

(c) Revenue Recognition

TSASK follows the deferral method of accounting for grant contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated, collection is reasonably assured and the expenses relating to the contribution are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES

When a fee covers a specific period, revenues are recognized evenly over that period. Where the fee does not cover a specific period and is earned over a period of time, estimates are used to determine the period over which revenue is recognized, based on past history. In both cases, unearned fees are recorded as deferred revenue. All other revenues are recorded when services are performed and are recorded on the accrual basis.

(d) Corporate Income Taxes

TSASK is incorporated as a not-for-profit organization and is exempt from income taxes.

(e) Cash

Cash is comprised of balances with the bank and is recognized at their fair value.

(f) Accounts Receivable

Management evaluates collectability of customer receivables depending on the customer and the nature of the service provided. Collectability of receivables is reviewed and adjusted for as required. Account balances are provided for in excess of revenue over expenses when management determines that it is probable that the receivable will be collected.

(g) Property and Equipment

Property and equipment are recorded at cost. Amortization of property and equipment commences when it is brought in to service and is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture and equipment	7 years
Leasehold improvements	term of the lease

(h) Intangible Assets

Software is recorded at cost. Amortization of software commences when it is brought in to service and is provided on a straight-line basis over the estimated useful life of the asset (3 - 5 years).

(i) Financial Asset Impairment

TSASK assesses impairment of all its financial assets measured at cost or amortized cost. TSASK groups assets for impairment testing when available information is not sufficient to permit identification of each individually impaired financial asset in the group. Management considers whether the issuer is having significant financial difficulty and/or whether there has been a breach in contract, in determining whether objective evidence of impairment exists. Where there is an indication of impairment, TSASK determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, TSASK reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; and the amount that could be realized by the selling the assets. Any impairment, which is not considered temporary, is included in current year earnings.

2. SIGNIFICANT ACCOUNTING POLICIES

TSASK reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in excess of revenue of expenses.

(j) Deferred Tenant Allowance

Deferred tenant allowance includes amounts received in lease agreements related to leasehold improvements. Amortization of the deferred tenant allowance is recognized over the length of the lease on a straight-line basis.

(k) Financial Instruments

TSASK recognizes its financial instruments when TSASK becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value. Financial assets and liabilities originated and issued in related party transactions are initially measured at their carrying or exchange amount in accordance with CICA 3840 Related Party Transactions.

At initial recognition, TSASK may irrevocably elect to subsequently measure any financial instrument at fair value. TSASK has not much such an election during the year.

TSASK subsequently measures all other financial instruments at cost or amortized cost.

(l) Restrictions on Net Assets

(i) Externally restricted

The Safety Standards Agreement requires TSASK to maintain adequate surplus to protect the organization from unforeseen circumstances that would affect the viability of TSASK. The Board of Directors had restricted $1.2M in 2012 for this purpose.

(ii) Internally restricted

The capital reserve was established by the Board of Directors in 2012 to fund long-term capital investment projects, such as leasehold improvements. During the year $700,000 (2012 - $nil) was invested in leasehold improvements and the modernization of the information technology systems.

3. ACCOUNTS RECEIVABLE

	2013	2012
Trade	246,505	153,921
Other receivables	457,634	97,592
Goods and services tax receivable	26,770	-
	730,909	**251,513**

4. PROPERTY AND EQUIPMENT

	2013	Accumulated Amortization 2013	2012	Accumulated Amortization 2012
Office furniture and equipment	628,591	145,748	139,931	139,931
Leasehold improvements	757,503	6,209	-	-
	1,386,094	151,957	139,931	139,931
Accumulated amortization	(151,957)		(139,931)	
Net book value	**1,234,137**		-	

5. INTANGIBLE ASSETS

	2013	Accumulated Amortization 2013	2012	Accumulated Amortization 2012
Software	402,184	-	114,745	-
Accumulated amortization	-		-	
Net book value	**402,184**		**114,745**	

The management information system software is being customized. Amortization will commence once the software is operational.

6. DEMAND OPERATING FACILITY AGREEMENT

TSASK has a Demand Operating Facility Agreement providing for a revolving line of credit for loans and overdrafts not to exceed $250,000. The interest rate is set at prime rate + 0.500% per annum. Bank Security under the agreement consists of a first charge to acquired personal property and guarantees. There were no amounts drawn down during the year (2012 – $nil).

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2013	2012
Trade payables	47,850	74,587
Accrued liabilities	173,345	397,967
Employment insurance payable	6,801	26,500
Canada pension plan payable	15,473	49,234
Income tax payable	46,095	735
Payroll employer liabilities	413,174	139,526
Provincial sales tax payable	231	4,722
Goods and services tax payable	-	4,746
	702,969	**698,017**

8. DEFERRED REVENUE

	2013	2012
Deferred elevator licensing	426,677	269,275
Deferred operators licensing	1,336,236	952,924
Deferred boiler and pressure vessel licensing	866,105	704,057
Total deferred revenue	2,629,018	1,926,256
Current portion	**1,896,487**	**1,424,401**
Long term	**732,531**	**501,855**

9. DEFERRED TENANT ALLOWANCE

	2013	2012
Deferred tenant allowance, beginning of year	-	-
Allowance received during the year	314,199	-
Amortization of tenant allowance	(10,303)	-
Deferred tenant allowance, end of year	**303,896**	-

10. NET ASSETS

	Unrestricted	Externally Restricted	Capital Reserve	Total
Net assets, June 30, 2011	531,138	-	-	531,138
Excess of revenue over expenses	1,750,184	-	-	1,750,184
Transfer to externally restricted	(1,200,000)	1,200,000	-	-
Transfer to capital reserve	(700,000)	-	700,000	-
Net assets, June 30, 2012	381,322	1,200,000	700,000	2,281,322
Excess of revenue over expenses	78,337	-	-	78,337
Investment in property, equipment and intangibles	700,000	-	(700,000)	-
Net assets, June 30, 2013	1,159,659	1,200,000	-	2,359,659

11. COMMITMENTS

TSASK has entered into various lease agreements with minimum annual payments as follows:

2014	352,549
2015	353,179
2016	275,775
2017	270,577
2018	270,577
Thereafter	1,374,933
	2,897,590

12. FINANCIAL INSTRUMENTS

FAIR VALUE

TSASK's financial instruments consist of cash, accounts receivable, and accounts payable and accrued liabilities. The carrying amount of TSASK's financial instruments approximates fair value, due to relatively short-term maturities.

CREDIT RISK

TSASK is exposed to credit risk of its trade receivables. TSASK manages this credit risk through monitoring of credit balances and active collection activity. In the event that an account is deemed uncollectible, the account is written off as a bad debt.

INTEREST RATE RISK

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. TSASK has no significant exposure to interest rate risk.

13. FINANCIAL INSTRUMENTS

FOREIGN CURRENCY RISK

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. TSASK enters in to transactions to receive income denominated in US dollars. TSASK has no significant exposure to foreign currency risk.

14. PENSION PLAN

TSASK participates in the Public Employees Pension Plan (PEPP), a defined contribution pension plan. TSASK's obligations to PEPP are limited to 7.25% of earnings for all employees for current services. During the year, TSASK contributed $338,282. (2012- $305,227) to PEPP, which is recorded as an expense.

15. TRANSFER OF TRANSITION REVENUE

On March 30, 2012 the Ministry of Corrections, Public Safety and Policing transferred to TSASK under Order in Council 135\12 transition revenue of $3,145,000. TSASK did not receive transition revenue during the 2013 year.

16. TRANSACTIONS WITH GOVERNMENT

TSASK has routine operating transactions with the Government of Saskatchewan which are recorded at the rates charged by the Government of Saskatchewan and are settled on normal trade terms. Included in expenses are transactions with the Government of Saskatchewan amounting to $800,868 (2012 - $610,045) of which $30,760 (2012 - $39,378) was payable at June 30, 2013.

17. COMPARATIVE AMOUNTS

Certain of the prior year comparative figures have been reclassified to conform to the current year's presentation.

CONTACT INFORMATION

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